

EnCana Corporation Maximizes the RiskAdvisory/SAS® Relationship



Oil & Gas Giant Likens Software's Flexibility and Capabilities to LEGO Building Blocks

When SAS Institute (Canada) purchased RiskAdvisory in 2003 many RiskAdvisory clients wanted to know how the acquisition would create synergies meaningful to them. In the case of EnCana Corporation (a leading North American unconventional natural gas and integrated oil company... and long-time RiskAdvisory client) the synergies have been helpful to the company's speedy development of better risk management and business forecasting practices.

A Challenging Environment

In general the oil and gas industry lags behind the financial industry in terms of its ability to analyze transactions for data that can inform "what-if" scenarios or credit analytics. But volatile energy commodity markets have created great uncertainties for production and hedging practices, not to mention sales outcomes, and the energy industry is seeing the need for improved scenario planning. Now more than ever energy industry company management is demanding fact-based knowledge of potential outcomes in the marketplace in order to manage the company's earnings per share and other financial measures.

Around the time of the SAS acquisition, EnCana's senior management recognized the need to continually improve its information management systems and set a six-month deadline for the information technology department to implement it. No pressure!

Relationships Matter

Fortunately for the EnCana IT department, they had been using RiskAdvisory's BookRunner® deal capture and reporting product for six years. BookRunner's strengths in providing physical and financial position reporting, as well as

advanced risk analytics for market and credit risk management offered the most comprehensive solution for the market and reporting conditions facing EnCana. But BookRunner wasn't built to create models for advanced analytics, such as Cash-Flow-at-Risk measures, scenario analysis, credit metrics and stress testing, and EnCana needed this information.

Leveraging Expertise for Turn-Around

The close working relationship between RiskAdvisory and EnCana played an important role in meeting management goals for delivery of enhanced analytics. EnCana's long history with RiskAdvisory had created an atmosphere of collegiality and trust, the vital ingredients needed to gain the greater functionality from SAS Risk Dimensions®, the prescribed choice for the challenge.

EnCana's Scott Dalton, Advisor, Market Risk, confirmed the value of RiskAdvisory's knowledge of the oil and gas industry – and EnCana – because the team delivered an integrated SAS solution on time, which was a notable feat considering the short time frame requested by senior management. RiskAdvisory's history with EnCana, its familiarity with its existing programs and knowledge of the industry proved key.

Evolving Delivery

Even after exceeding management's deadlines for better analytics (the project was completed in just three months), the SAS/EnCana relationship continues to evolve. BookRunner is still meeting its trade capture needs while SAS Risk Dimensions (augmented by SAS Enterprise Guide and SAS Add-In For Microsoft Office) is continuing to meet management expectations.

But EnCana is also evaluating more analytical capabilities provided by other SAS software. Dalton described SAS software products as similar to opening a box of LEGO building blocks – there's tremendous capability to build all sorts of incredibly sophisticated business intelligence programs. The question is which options make the most sense and how best to put the parts together.

The SAS/EnCana development effort has succeeded in creating Revenue-at-Risk models, Cash Flow Analysis modeling and Credit Risk analysis, as well as automatic daily Value-At-Risk calculations. All the information for the higher level reports was pulled from BookRunner's trade capture system, which continues to be upgraded and improved as technology changes.

Simplifying A Complex World.



Current State

After three years, EnCana believes that the results of the development effort have provided the right tools to help it manage its business proactively. SAS-generated analytics and business intelligence information have provided ample tools for better decision making when combined with RiskAdvisory software, expertise and experience in the energy industry. And the information technology team has gone beyond the initial requests from its senior management, transcending Value-at-Risk and Mark-to-Market calculations of the past.

All told, the SAS/EnCana synergies were manifest in the EnCana implementation, not only because of the strength of the two software solutions but also the companies' relationships with clients. Mission accomplished!

About RiskAdvisory (A Division of SAS)

RiskAdvisory is a leading provider of real-world risk solutions to energy companies operating in today's volatile energy commodity markets. Founded in 1995 by accomplished energy risk professionals, the company provides risk management expertise and solutions to its clients. RiskAdvisory's goal is to provide cost effective solutions to the risk issues faced by utilities. RiskAdvisory's objective is to help simplify the complex world that you work in and to provide clear results that can be easily understood and can be used to effectively manage your business. RiskAdvisory markets BookRunner, designed as a practical and easy to use tool to support energy risk professionals as well as SAS Risk Dimensions which provides advanced enterprise risk analytics. Headquartered in Calgary, Alberta, RiskAdvisory's solutions are utilized by a growing number of well-known energy companies.

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